SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-A**

FROM: Steve Mack, General Manager

Meeting Date: February 2, 2012

SUBJECT: DISCUSSION/ACTION RE RUSSIAN RIVER REDEVELOPMENT AREA FUTURE

RECOMMENDED ACTION: Receive a presentation on the current status and future of the Russian River Redevelopment Area and Sweetwater Springs Water District (District) funding agreements with the County of Sonoma Community Development Commission (CDC).

FISCAL IMPACT: none.

DISCUSSION:

The District has a funding agreement with the CDC for 75% funding of the 2012 and 2013 CIP. This agreement was approved April 4, 2011 by the Sonoma County Community Development Commission. The District has completed the 2012 CIP and has a contract with Coastland Engineering for design and construction management of the 2013 CIP and our schedule is to have the construction contract awarded at the May 3, 2012 regular meeting with construction starting in late May or early June 2012. The estimated cost of the 2013 CIP is approximately $1.3 million and includes:

- Replacement of approximately 1940 ft of main line on Starrett Hill Road in Monte Rio with 25 services and 3 fire hydrants.
- Replacement of approximately 1440 ft of main line on Lovers Lane in Guernewood Park with 22 services and 2 fire hydrants.
- Replacement of approximately 1,270 ft of main line on Middle Terrace in Monte Rio with 13 services and 1 fire hydrant, and
- Elimination of dead end mains and creation of loops by installing 2,505 lf of new main and appurtenances in Canyon Seven Rd between Sequoia Rd and Paradise Lane in Rio Nido with 31 services and 3 fire hydrants.

As we all know, the California State Supreme Court decision in late December 2011 affirmed the legislation terminating redevelopment agencies statewide and ruled the accompanying opt-in legislation that would have allowed redevelopment to continue with a payback provision unconstitutional. Unless new legislations is quickly passed by the Legislature, redevelopment agencies will close their doors on February 1, 2012.

A big question for us has been what is the fate of our funding agreement with CDC. The County will act as the successor to the CDC. The CDC adopted an Enforceable Obligation Payment Schedule ("EOPS") showing payments on the funding agreement through December 2011. The EOPS must be amended, either by the CDC before February 1 or by the County after that, in order to make any payments using redevelopment funds. The amended EOPS including funding for the District's agreement is on the CDC agenda for January 31, 2012.

The County Auditor-Controller or the State can challenge any listed obligations. Furthermore, the County must prepare a "Recognized Obligation Payment Schedule ("ROPS"), have it certified by an auditor, submit it to the State Controller and Department of Finance, and have it approved by a seven-member Oversight Board that may not be appointed until May 1. Thereafter, only obligations listed on the ROPS may be paid by the County as successor to the CDC.

Although we expect that the Oversight Board will approve a ROPS that includes our funding agreement, that result is not yet known. Legally binding agreements that do not violate public policy are expected to be honored. Post January 1, 2011 "asset transfers" between redevelopment agencies and other public agencies are subject to review by the State Controller, and funds not contractually committed to a third party could be subject to an order requiring return of the assets to the successor agency for County distribution to local taxing entities. The Legislature has found that asset transfers to public agencies post-January 1, 2011 are unauthorized. Furthermore, the Oversight Board has the authority to direct the successor agency to terminate existing agreements that do not qualify as enforceable obligations, and to terminate redevelopment agency funding agreements for construction of facilities by a public entity, where the Oversight Board determines that early termination would be in the best interest of the taxing entities.

My thinking has been to stay on our schedule to design the 2013 CIP and award the contract at the May 2, 2012 meeting. These are necessary, important projects that meet the goals of redevelopment and benefit this area. We believe we have a great argument for their continued funding, should that argument be necessary. District reserves are available to complete funding of these necessary projects if redevelopment funding is taken away.